

Letter to the Boston Globe Editor

I am writing in response to an article by Iliya Atanasov of the Pioneer Institute in the April 28, 2014 Boston Globe entitled, “Pension Obligations Need to be a Priority”.

First, we are pleased that Mr. Atanasov acknowledges that the State’s share of pension funding has declined – while the employees’ share has risen. In plain language - this decline for the State means that taxpayers’ responsibility for state employees’ pensions has been reduced.

Massachusetts state employees since 1996 are paying 9% on the first \$30,000 of salary and 11% on salary above \$30,000. Indeed, in many instances, a Group 1 employee (administrative, clerical, etc.) hired after 1996 who spends his/her entire career in State service **will more than pay for** his/her own pension. This fact – largely unknown to Massachusetts’ citizenry - should be frequently referenced. In addition, public employees in Massachusetts are not eligible to participate in Social Security for their service as public employees – and many rely on their state pensions and private savings for their retirement.

Mr. Atanasov states that a significant unfunded pension liability exists. This is accurate - due in large part to the fact that in the years prior to the establishment of a funding schedule in 1988, the State was on a “pay-as-you go” basis for funding its pension system. Yet, he notes that “state leaders announced an accelerated funding schedule to eliminate the state’s pension liability by 2036...but this is the tip of the iceberg”. This is a mere passing acknowledgment of a significant achievement in enhancing pension funding nor does he mention the three other significant pension reform initiatives of Governor Patrick, the House, and the Senate over the past several years.

He also muddies the difference between pension funding and funding for Other Post Employment Benefits - or OPEB costs - such as retiree health care. That is the “tip of the iceberg” to which he refers but this distinction is obscured in the article. He is correct that funding of major OPEB liabilities is an important issue – but it does nothing to enhance the public debate by confusing the two.

We also take issue with Mr. Atanasov saying that “drastic measures...will become inevitable without meaningful reform”. Such measures are not “inevitable”. The State has undertaken three major pension reforms during an almost unparalleled stretch of economic hardship and distress while confronting numerous other critically important priorities. OPEB costs are a considerable concern. Yet, there is no reason to believe that the Commonwealth will fail to confront the challenges of OPEB funding in the future in the same manner as it has pension funding.

Joseph E. Connarton
Executive Director
Public Employee Retirement Administration Commission